

Date: August 21, 2008

To: Interested Parties

RE: Industrial Development Bond (IDB) Allocation Point System

September 30, 2008: Written comments will be due to CIDFAC on the proposed revision of the IDB point system.

California Industrial Development Financing Advisory Commission (CIDFAC) staff proposes a review and revision of the current system for scoring the public benefits of IDB projects for which tax-exempt allocation is requested.

The current point system was developed by California Debt Limit Allocation Committee (CDLAC) staff several years ago. CIDFAC staff believes the criteria for awarding points need to be updated to reflect the current state of manufacturing in California. In addition, staff proposes that the current point system be expanded to encourage IDB projects that contribute to the state's overall economic development, green the manufacturing sector and help the state curb climate change emissions.

Staff's goal is to have a revised point system in place for the 2009 calendar year. To accomplish this goal, staff has developed the following schedule for the revision process:

- September 30, 2008: Written comments will be due to CIDFAC on the proposed revision of the IDB point system.
- October 22, 2008: CIDFAC and CDLAC will conduct a workshop for interested parties on the proposed revised IDB point system. Staff anticipates the workshop will be conducted after the CIDFAC meeting scheduled for the same day.
- November 19, 2008: CIDFAC will present a proposed revised IDB point system to the Commission to request approval to submit the changes to CDLAC for its review and approval.
- Upon favorable action by CIDFAC, staff anticipates CDLAC will announce a 30-day comment period on the proposed changes at its December 3, 2008 meeting. Staff also anticipates that, following the 30-day comment period, CDLAC will present a revised IDB point system to the Committee for its approval at its January 2009 meeting. If CDLAC approves the revised point system at its January 2009 meeting, then staff anticipates the new point system, along with a revised IDB application that reflects the new point system, will be in effect starting with applications submitted to CIDFAC for approval and/or allocation at its March 2009 meeting.
- Dates may change as needed to accommodate the revision process. Any schedule changes will be announced in advance.

The following broadly outlines a proposed revision of the IDB point system. Staff intends to work with IDB issuers, practitioners, borrowers and other interested parties to: refine the point categories and subcategories; determine the overall points allowable for each category and subcategory; and develop a reasonable means to measure or determine qualification for points in particular categories.

(1) JOBS: Staff proposes to create a new JOBS category, designate JOB CREATION and JOB RETENTION as subcategories and revise how points are awarded for job creation.

- Under the JOB CREATION subcategory, staff believes the criteria for awarding points should reflect the fact that manufacturing today, thanks to technological advances, is much less labor intensive. Using the “jobs-per-bond-amount” criteria, staff proposes an increase in the “per bond” amount, i.e., begin the scale with one job per \$50,000 in bond proceeds instead of the current one job per \$35,000 in bond proceeds. An alternative approach to awarding points for job creation is a scale based on a percentage increase in the manufacturer's workforce. For example, a 5% - 10% increase in overall workforce would receive some number of points, a 10% - 20% increase would receive more points, and an increase exceeding 20% would receive the maximum number of points.
- For JOB RETENTION, staff proposes that the criteria for awarding points remain the retention of the manufacturer's current workforce in the face of economic pressures to (1) move out of California or (2) cease operations. Staff proposes that the standard of proof continue to include written confirmation from the local government that the company was contemplating moving or closing. However, staff proposes to add other standards of proof, e.g., written proof that the company, within the prior two years, either engaged a “site selector” to locate possible sites outside of California or formally analyzed the option to cease operations.

(2) HEALTH, DENTAL & VISION BENEFITS and CHILD CARE BENEFITS: Staff proposes to continue to require the same proof of health benefits. However, the health benefits worksheet would be reworked to make it more user- friendly.

(3) AVERAGE HOURLY WAGE: Staff proposes to continue awarding points in this category using current criteria. However, since the state Employment Development Department (EDD) is not longer providing the manufacturing wage data, staff proposes to use the production wage data available on the federal Bureau of Labor Statistics website (see <http://www.bls.gov/>).

(4) COMMUNITY ECONOMIC NEED: Staff proposes to continue awarding points in this category using current criteria.

(5) WORKFORCE DEVELOPMENT: Staff proposes to create a new WORKFORCE DEVELOPMENT category. The proposal responds to the concern voiced in literature, the media, government conferences, economic forums, etc., that California does not have a well-trained workforce. The concern is particularly strong regarding skills required in the emerging economy, including the green sector. WORKFORCE DEVELOPMENT would have the following subcategories:

- **WELFARE TO WORK:** Staff proposes to continue awarding points in this subcategory using current criteria.
- **WORKFORCE TRAINING:** There are several programs operated by the state's Employment Training Panel that help businesses train or re-train workers. In addition, there are programs operated at the local level on behalf of the state (e.g., Workforce Investment Act programs through the EDD and the Apprenticeship Program through the California Department of Industrial Relations) that offer employers access to specific types of training by certified

training entities. Finally, there are workforce training programs offered by community colleges, universities, adult schools, Regional Occupational Programs, and private training agencies approved by the Bureau for Private Postsecondary and Vocational Education. Staff proposes to award points to IDB projects when the employers participate in such programs.

(6) ECONOMIC DEVELOPMENT: Staff proposes a new ECONOMIC DEVELOPMENT category. The objective is to recognize manufacturers' contributions to California's economy. ECONOMIC DEVELOPMENT would have the following subcategories:

- **EXPORTS OUTSIDE CALIFORNIA:** The purpose of this subcategory is to recognize the additional economic benefits that accrue to the state when manufacturers export some or all of their products to other states or countries. The literature consistently cites the "multiplier effect" created by manufacturers who export their products. The research-supported consensus is that when manufacturers export, they triple the economic benefits their operations provide to their home states.
- **SOURCE MATERIALS MADE IN CALIFORNIA:** The purpose of this subcategory is to recognize the economic benefits that accrue to the state when manufacturers purchase raw or source materials produced in California.
- **EMPLOYER TRAINING:** Some of the same agencies that offer workforce training also offer employer training. In general, employer training aims to make the business a better place to work, as well as a more successful operation. There also are programs aimed specifically at teaching manufacturers how to export their products overseas. For example, the California Community Colleges' 2006-07 annual report on its Economic and Workforce Development Program cites the successes of small businesses which participated in its Export Readiness Training program. One example is Aranda's Tortilla Factory in Stockton, which now exports its products to Korea. Staff proposes to award points to IDB projects when the employer participates in such programs.

(7) ENVIRONMENTAL STEWARDSHIP: Staff proposes a new ENVIRONMENTAL STEWARDSHIP category. The current LAND USE, ENERGY EFFICIENCY and PUBLIC TRANSPORTATION categories would become subcategories under the new category. CIDFAC staff proposes to expand the criteria for awarding points under ENERGY EFFICIENCY to include installation and use of renewable energy equipment to power the manufacturing process. In addition, CIDFAC staff believes the TRANSPORTATION subcategory can be improved by clarifying the criteria for awarding points to projects that are in proximity to public transit. Also under TRANSPORTATION, staff proposes awarding points to employers who subsidize public transportation for its employees. Finally, under the ENVIRONMENTAL STEWARDSHIP category, staff proposes the creation of two new subcategories:

- **MANUFACTURER OF CERTIFIED ENVIRONMENTALLY SENSITIVE PRODUCTS:** Points would be awarded to manufacturers who make LEED-certified products, or products certified by other nationally-recognized environmental organizations. (LEED stands for Leadership in Energy and Environmental Design.)
- **LEED-CERTIFIED MANUFACTURING FACILITY:** Points would be awarded to manufacturers who use bond proceeds to construct LEED-certified facilities. The number of points would be based on LEED's various levels of certification (i.e., platinum, gold, silver, etc.).

(8) LEVERAGE: Using the current scale, CIDFAC staff proposes to award points to IDB projects for which the borrower, in addition to tax-exempt bonds, will use taxable IDBs, a taxable loan, and/or private funds or equity to finance portions of the overall project.